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Producers 88 (4-89) — Paid Up  
With 640 Acres Pooling Provision  
STANDARD LEASE

## PAID UP OIL AND GAS LEASE (No Surface Use)

THIS LEASE AGREEMENT is made this 30th day of August, 2010, by and between Santech Industries Inc., whose address is 2450 Handley Ederville Rd. Fort Worth, TX 76118-6946, as Lessor, and DALE PROPERTY SERVICES, L.L.C., 2100 Ross Avenue, Suite 1870 Dallas Texas 75201, as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter called leased premises:

1.522 ACRES OF LAND, MORE OR LESS, BEING BLOCK 10 LOT 2, OUT OF THE NEWELL AND NEWELL BUSINESS PARK, AN ADDITION TO THE CITY OF FORT WORTH, TX, BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS IN THAT CERTAIN PLAT RECORDED IN VOLUME 388-214, PAGE 67 OF THE PLAT RECORDS OF TARRANT COUNTY, TEXAS.

in the county of TARRANT, State of TEXAS, containing 1.522 gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith (including geophysical/seismic operations). The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of FIVE (5) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be TWENTY-FIVE PERCENT (25%) of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casing head gas) and all other substances covered hereby, the royalty shall be TWENTY-FIVE PERCENT (25%) of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of either producing oil or gas or other substances covered hereby in paying quantities or such wells are waiting on hydraulic fracture stimulation, but such well or wells are either shut-in or production there from is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut-in or production there from is not being sold by Lessee, then Lessee shall pay shut-in royalty of one dollar per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut-in or production there from is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. ~~Lessee's failure to properly pay shut-in royalty shall render Lessee liable for the amount due, but shall not operate to terminate this lease.~~

4. All shut-in royalty payments under this lease shall be paid or tendered to Lessor or to Lessor's credit in at lessor's address above or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the US Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive payments.

5. Except as provided for in Paragraph 3. above, if Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production there from, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) to protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

7. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.

8. The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or

until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons or to their credit in the depository, either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones there under, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized herewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

11. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas, and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so.

14. For the same consideration recited above, Lessor hereby grants, assigns and conveys unto Lessee, its successors and assigns, a perpetual subsurface well bore easement under and through the leased premises for the placement of well bores (along routes selected by Lessee) from oil or gas wells the surface locations of which are situated on other tracts of land and which are not intended to develop the leased premises or lands pooled therewith and from which Lessor shall have no right to royalty or other benefit. Such subsurface well bore easements shall run with the land and survive any termination of this lease.

15. Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

16. Notwithstanding anything contained to the contrary in this lease, Lessee shall not have any rights to use the surface of the leased premises for drilling or other operations.

**DISCLAIMER OF REPRESENTATIONS:** Lessor acknowledges that oil and gas lease payments, in the form of rental, bonus and royalty, are market sensitive and may vary depending on multiple factors and that this Lease is the product of good faith negotiations. Lessor understands that these lease payments and terms are final and that Lessor entered into this lease without duress or undue influence. Lessor recognizes that lease values could go up or down depending on market conditions. Lessor acknowledges that no representations or assurances were made in the negotiation of this lease that Lessor would get the highest price or different terms depending on future market conditions. Neither party to this lease will seek to alter the terms of this transaction based upon any differing terms which Lessee has or may negotiate with any other lessors/oil and gas owners.

**IN WITNESS WHEREOF,** this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

**SEE ADDENDUM ATTACHED HERETO AND BY REFERENCE MADE A PART HEREOF.**

**LESSOR (WHETHER ONE OR MORE)**

Santech Industries, Inc.

Signature: \_\_\_\_\_

Printed Name: Michael Deese, President of Santech Industries, Inc.

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

# **CORPORATE ACKNOWLEDGMENT**

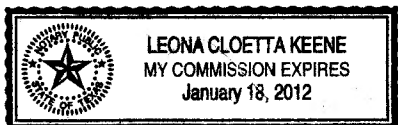
STATE OF TEXAS  
COUNTY OF TARRANT

This instrument was acknowledged before me on the 31st day of August, 2010, by Michael Deese, of Santech Industries, Inc., a Texas corporation, on behalf of said corporation.

Leona Cloetta Keene  
Notary Public, State of Texas

Notary's name (printed): Leona Cloetta Keene

Notary's commission expires: 1-18-12



**ADDENDUM**

Attached to, and by reference made a part of, that certain Paid-Up Oil and Gas Lease (No Surface Use), dated the 30th day of August, 2010, made and entered into by and between the **SANTECH INDUSTRIES, INC.**, whose address is 2450 Handley-Ederville Rd., Fort Worth, Texas 76118, as Lessor, and **DALE PROPERTY SERVICES, L.L.C.**, whose address is 2100 Ross Avenue, Suite 1870, Dallas, Texas 75201, as Lessee (the "Lease").

**The following provisions shall supplement the provisions of the printed form of the Lease; and, in the event of any conflict between the following supplemental provisions and the provisions of the printed form of the Lease, the supplemental provisions of this addendum shall prevail and control.**

1. **Oil and Gas Only.** Notwithstanding anything contained in the Lease to the contrary, the Lease shall be limited to oil, gas and other associated hydrocarbons and sulphur produced through the well bore with oil and gas, and shall cover no other minerals.

2. **No Surface Use.** Notwithstanding anything contained in the Lease to the contrary, Lessee and its employees, agents, contractors shall have no right to enter upon, conduct any drilling or other surface operations of any nature, or place any facilities or structures of any kind on, over or across any portion of the leased premises (including, but not limited to, exploration activities of any nature, the laying of pipelines, the building of roads, seismic operations, tanks, power stations, telephone lines, flow lines, electric power lines, or tank batteries). Provided, however, Lessee shall have the limited right to enter the leased premises with a subsurface horizontal or directional wellbore drilled from a surface location on other lands penetrating the leased premises sufficiently below the surface so as not to interfere with the present or future use of the surface of the leased premises or the subsurface support of any improvements constructed on the leased premises in an effort to explore for and develop oil and gas under the leased premises, or lands pooled therewith.

3. **Royalties.** It is agreed between Lessor and Lessee that, notwithstanding any language contained in the Lease to the contrary, all oil, gas or other proceeds accruing to Lessor under this Lease or by state law shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and marketing the oil, gas and other products produced hereunder to transform such into marketable form; however, notwithstanding anything contained herein to the contrary, any such costs which result in enhancing the value of the marketable oil, gas or other products to receive a better price may be deducted from Lessor's share of production so long as they are based on Lessee's actual cost of such enhancements. However, in no event shall Lessor receive a price that is less than the price received by Lessee. Notwithstanding anything herein to the contrary, any oil or gas sold to an entity affiliated with Lessee shall be sold at a price not less than the market value of gas in the area. Lessee represents that it and or its affiliates, if any, will diligently pursue all of the necessary work, actions and legal requirements necessary to facilitate and accomplish the delivery, transportation and marketing of oil and gas produced from the leased premises or lands pooled therewith.

4. **Right to Audit.** Lessor, at its sole expense, shall have the right to audit the accounts and records of Lessee, its successors and assigns as they relate to the calculation and payment of royalties under this lease. Such right shall be exercised by Lessor by giving Lessee reasonable notice and such audit shall be conducted only during normal business hours, and no more than once a year. If the audit reveals an underpayment, Lessee shall promptly reimburse Lessor for the reasonable costs of the audit.

5. **Division Orders.** It is agreed that neither this lease nor any terms or provisions hereof shall be altered, amended, extended or ratified by any division order or transfer order executed by Lessor, its successors, agents, or assigns. If Lessee shall require the execution of a division order for payment of royalty payable under this lease, then the only form of division order permitted for Lessee's use shall be such form promulgated by the State of Texas and set forth in Section 91.402(d) of the Texas Natural Resources Code as amended from time to time. Transfer orders, if required, shall be solely for the purpose of confirming the interest transferred by Lessor. In the event of production, all division orders prepared by Lessee and its assigns shall eliminate all references to ratification of Lessee's acts and ratification of gas or oil purchase contracts. If such statements are contained therein, such ratifications are void and of no effect. Any amendment, alteration, extension or ratification of this lease, or of any term or provision of this lease, shall be made only by an instrument clearly denominating its purpose and effect, describing the specific terms or provisions affected and the proposed change or modification hereof, and executed by the party against whom any such amendment, alteration, extension or ratification is sought to be enforced, and any purported amendment, alteration, extension or ratification not so drafted shall be of no force or effect.

6. **Shut-In Royalty Clause Limitation.** Notwithstanding anything contained in the Lease to the contrary, it is agreed that after the expiration of its primary term, the Lease may not be maintained in force solely by the payment of shut-in royalties for any period in excess of two (2) cumulative years or three (3) years in aggregate. Lessee shall pay Lessor as shut-in royalty the sum of "one hundred dollars" per acre covered by the Lease, instead of "one dollar" as provided in the printed form of the Lease.

7. **Pooling.** Notwithstanding anything contained in the Lease to the contrary, Lessee's pooling rights under this Lease are limited to pooling all and not part of the leased premises covered by the Lease with other lands or leases into one (1) pooled unit, no larger than three hundred and twenty (320) acres in surface area, plus ten percent tolerance (10%), for the drilling of one or more horizontal wells into the Barnett Shale formation. No part of the leased premises may be removed from such pooled unit without Lessor's prior written consent.

8. **Protection from Drainage.** If a producing well or wells should be brought in on adjacent land, and is draining the leased premises, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances provided that the well or wells which are to be offset are producing in paying quantities.

9. **Vertical Depth Severance.** One (1) year after the expiration of the primary term, the Lease shall terminate as to all of the leased premises save and except the depths from the surface down to one hundred feet (100') below the stratigraphic equivalent of the deepest producing formation in a well drilled on the leased premises or upon land with which the leased premises may be pooled for production.

10. **No Warranty of Title.** Notwithstanding anything contained in the Lease to the contrary, the Lease is made and entered into without any express or implied warranty or representation of title, ownership or control of the leased premises, whatsoever, and Lessee shall have no recourse upon Lessor, not even for the return of the consideration paid herefor or hereunder. By acceptance of the Lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the leased premises. In the event Lessor is determined to own any additional acreage covered by this Lease, but for which bonus consideration was not originally paid, Lessee shall pay additional bonus consideration at a rate per acre not less than the rate per acre on which bonus consideration was originally paid when this Lease was originally acquired. In the event the leased premises are encumbered by any mortgage or lien, Lessee shall have the sole obligation to obtain any subordination of mortgage or lien, if any, at Lessee's sole expense, in a form acceptable to Lessor. In no event, however, shall Lessee withhold or delay any royalty or other payment under this lease due to the lack of any such subordination-type agreement.

11. **Waiver.** No waiver of any of the provisions in the Lease shall be deemed or constitute a waiver of any other provision of the Lease, nor shall such waiver constitute a continuing waiver unless otherwise expressly provided. Likewise, the failure of Lessor to enforce any provision of the Lease shall not be deemed, nor shall it constitute, a waiver of the right of Lessor to enforce such provision. The mention of any right or remedy of Lessor herein shall not preclude Lessor from exercising any other right or remedy to which Lessor might otherwise be entitled.

12. **Indemnity.** Lessee, its successors and assigns agree to release, defend, indemnify, and hold harmless Lessor and its employees, management, directors, representatives, contractors, tenants, guests, and invitees, and any of their assigns, successors, agents and employees, from any and all costs, losses, claims, judgments, settlements, and damages of every kind and character to real property, personal property or persons (including, without limitation, claims involving environmental laws and regulations, pollution, contamination of ground waters, personal injury, disability and death), lawsuits and/or causes of action (including reasonable attorneys' fees, expert fees and court costs) (collectively "Claims"), which may grow out of, arise from, or in any manner be connected with the activities of Lessee and Lessee's agents, invitees, guests, contractors, servants and employees, whether acting within the scope of their employment or not, and whether negligent or not, on the leased premises, or any adjacent property, including, without limitation, any Claims arising from loss of subsurface support of the Leased Premises and any Claims arising from the production or transportation of oil or gas produced from the Leased Premises or lands pooled therewith. For purposes of this Lease, environmental laws and regulations include, without limitation, the federal Oil Pollution Act (OPA), the federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), the federal Resource Conservation and Recovery Act (RCRA), the federal Clean Water Act, the Toxic Substances Control Act (TSCA), the Hazardous Materials Transportation Act (49 USC §5101 et seq.), and the federal, state and local rules, regulations, ordinances, orders and governmental directives implementing such statutes. Lessee's obligations in this paragraph shall survive the termination of this Lease.

13. **Insurance.** Lessee, at its own expense, shall maintain a general liability insurance policy (covering both bodily injury and property damage and covering its indemnity obligations under this Lease, for which Lessor shall be carried as an additional insured) in an amount of at least \$5,000,000 combined single limit. All insurance coverage requirements above may be met by a combination of self-insurance, primary and excess insurance policies.

14. **Prior Easements and Agreements.** The Lease is subject to all boundary agreements affecting the leased premises, as well as all licenses, permits, easements, rights-of-way, surface leases, and other contracts of Lessor affecting the leased premises.

15. **Drilling Operations on Other Lands.** It is agreed that Lessee shall develop the leased premises from a drill site located on other lands. Such drill site shall not be located within one thousand feet (1,000') of the leased premises. Noise levels associated with Lessee's operations on any drillsite or other facility utilized for the development of the leased premises, or lands pooled therewith, shall be kept to a reasonable minimum, taking into consideration all reasonably available equipment and technology in the oil and gas industry. Further, such operations shall be conducted in such a manner as to minimize, so far as practical, dust, vibration, or noxious odors on the leased premises, and shall be in accordance with the best accepted practices incident to drilling for the production of oil or gas in densely populated urban areas.

16. **Force Majeure.** The force majeure protections afforded by paragraph eleven (11) of the printed form of the Lease shall not apply to any occurrence or cause within the control of Lessee, or which could have been prevented by Lessee, in the exercise of reasonable prudence. Lessee shall take all reasonable actions to remove or end any triggering cause of the protections of paragraph eleven (11) of the Lease as soon as reasonably possible. In no event shall this Lease be perpetuated by the provisions of paragraph eleven (11) of the Lease for a period of more than two (2) consecutive years, or three (3) years of cumulative time.

17. **Assignments.** The rights of either party hereunder may be assigned, in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns, but Lessee may not assign its rights hereunder, in whole or in part, without the prior written consent of Lessor, which consent shall not be unreasonably withheld; provided, however, Lessor's prior written consent is granted herein for any assignment from Lessee, in whole or in part, to **Chesapeake Energy Corporation and/or its officers or its subsidiaries or affiliated entities or to Total E&P USA, Inc.** If consented to, Lessee shall provide Lessor with a recorded copy of each assignment or sublease upon Lessor's request. All assignments and subleases must require the assignee or sublessee to assume all of Lessee's obligations under this Lease, but Lessee will remain liable for its obligations through the date of recording of any assignment or sublease by it.

18. **Lessor's Access to Information.** Upon prior written request of Lessor, Lessee shall furnish Lessor a copy of (i) any title opinions, which shall be provided without warranty, abstracts or other records or opinions reflecting upon Lessor's title to the leased premises; (ii) information as to the production from each well in a pooled unit with the leased premises, and such other information relating to production or calculation and payment of royalties as may be reasonably requested; and (iii) copies of any gas purchase or sales contracts, processing agreements and any other agreements pursuant to which Lessee shall sell, use, transfer or dispose of any oil or gas produced from wells in a pooled unit with the leased premises.

19. **Attorneys' Fees.** If Lessor files a legal action to enforce any express or implied obligation of this Lease and receives a favorable judgment from a court of competent jurisdiction, then Lessee shall reimburse Lessor for all costs of such legal proceedings, including reasonable attorneys' fees, expert witness fees, and court costs.


20. **Compliance with Laws.** Lessee covenants that it will strictly comply with all applicable laws, regulations and ordinances in conducting all operations under this Lease.

21. **Headings.** The paragraph headings in this Lease are for convenience only, and shall not be considered in interpretation or construction of any provision of this Lease.


22. **Binding Effect.** The terms and provisions of this Lease, including the terms and provisions of this Addendum, shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors and assigns.

23. **Counterparts.** This Addendum may be executed in multiple counterparts, all of which shall be deemed to constitute one instrument.

**LESSOR:**  
**SANTECH INDUSTRIES, INC.**

By:   
Michael Deese, as President of  
Santech Industries, Inc.

**LESSEE:**  
**DALE PROPERTY SERVICES, L.L.C.**

By:   
Printed Name: Raley M. Taliaferro  
Title: Vice President

SUZANNE HENDERSON

COUNTY CLERK



100 West Weatherford Fort Worth, TX 76196-0401

PHONE (817) 884-1195

DALE PROPERTY SERVICES

500 TAYLOR ST  
FORT WORTH, TX 76102

Submitter: DALE RESOURCES LLC

**DO NOT DESTROY**  
**WARNING - THIS IS PART OF THE OFFICIAL RECORD.**

Filed For Registration: 9/9/2010 9:19 AM

Instrument #: D210220554

LSE

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PGS

\$32.00

By: \_\_\_\_\_

*Suzanne Henderson*

D210220554

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY  
BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

Prepared by: CAMADDOCK